

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	143.07	1.65	4.75	149.47	1.65	5.00	149.72	149.72
Personal Services	6,703,827	787,556	479,070	7,970,453	879,567	845,546	8,428,940	16,399,393
Operating Expenses	7,995,905	298,112	4,186,288	12,480,305	270,334	678,500	8,944,739	21,425,044
Equipment	245,179	7,000	150,000	402,179	0	150,000	395,179	797,358
Local Assistance	28,637	0	0	28,637	0	0	28,637	57,274
Grants	0	0	810,000	810,000	0	810,000	810,000	1,620,000
Transfers	500,000	0	0	500,000	0	0	500,000	1,000,000
Debt Service	1,167,367	(1,135,317)	0	32,050	(1,135,317)	0	32,050	64,100
Total Costs	\$16,640,915	(\$42,649)	\$5,625,358	\$22,223,624	\$14,584	\$2,484,046	\$19,139,545	\$41,363,169
General Fund	3,362,558	197,742	3,884,987	7,445,287	178,613	519,900	4,061,071	11,506,358
State/Other Special	3,312,150	682,211	1,192,504	5,186,865	764,775	1,336,691	5,413,616	10,600,481
Federal Special	1,049,961	(7,810)	504,210	1,546,361	(8,814)	513,809	1,554,956	3,101,317
Capital Projects	511,542	(11,542)	0	500,000	(11,542)	0	500,000	1,000,000
Proprietary	8,404,704	(903,250)	43,657	7,545,111	(908,448)	113,646	7,609,902	15,155,013
Total Funds	\$16,640,915	(\$42,649)	\$5,625,358	\$22,223,624	\$14,584	\$2,484,046	\$19,139,545	\$41,363,169

Agency Description

The Department of Administration provides central services for state agencies in the following areas:

- Accounting and financial reporting
- Warrant writing
- Technical assistance and training to local government accounting and financial personnel
- Audit review and enforcement for local governments
- State bonded indebtedness administration
- State treasury services
- Capitol complex building maintenance and security
- State financial institution oversight and regulation
- Montana State Lottery
- Insurance coverage and Tort Claims Act administration
- Information systems development, telecommunications, data processing, and strategic planning
- Personnel management and labor relations
- Purchasing and surplus property administration
- Duplicating, mail, and messenger services

The department also administers the state Long-Range Building Program and state employee group benefits program. The Board of Examiners, the State Tax Appeal Board, the Appellate Defender, the Public Employees' Retirement Board, the Teachers' Retirement Board, and the Montana Consensus Council are attached to the department for administrative purposes only.

Agency Highlights

Department of Administration Major Budget Highlights	
<ul style="list-style-type: none"> ◆ Total fund budget increases \$8.1 million for the biennium over the base ◆ Significant budget increases for general fund are for: <ul style="list-style-type: none"> • Emergency telecommunications infrastructure (\$3.5 million) • Public safety communications program funding switch from federal special revenue and program increases (\$600,000) • Statewide present law adjustments (\$498,000) ◆ Significant budget increases for state special revenue are for: <ul style="list-style-type: none"> • Montana Land Information Act (\$2.1 million) • Statewide present law adjustments (\$637,000) • Compensatory based pay plan for bank examiners (\$469,000) • 3.25 FTE bank examiners and administrative support (\$449,000) ◆ Significant budget increases for federal special revenue are for: <ul style="list-style-type: none"> • Montana Spatial Data Infrastructure (\$1.4 million) ◆ Personal services will increase by 6.65 FTE in HB 2 positions for: <ul style="list-style-type: none"> • Bank examiners in the Banking and Financial Division • Administrative support for Banking and Financial Division licensing support • Public safety communications program computer analysts • Computer information system manager and programmer 	

Summary of Legislative Action

The legislative budget for total funds is an increase of \$8.1 million more for the biennium over the base of \$16.6 million, with a corresponding general fund increase of \$4.8 million. The legislative budget includes funding for both HB 2 and HB 447. HB 447 funds the pay plan increases for the 2007 biennium and accounts for \$803,000 of the total fund increase and \$312,000 of the general fund budget for the biennium. Other significant items in the legislative budget are:

- Emergency telecommunications infrastructure to fund the Northern Tier Interoperability Project (NTIP) for \$3.5 million general fund
- Montana Land Information Act increased state special revenue by \$2.1 million to develop a standardized, sustainable method to collect, maintain, and distribute digital information about natural and man-made Montana land characteristics by replacing proprietary funds with state special revenue derived from an increase in land transaction recording fees
- Montana Spatial Data Infrastructure increased federal special revenue by \$1.4 million to fund continued development of a geographic information system database containing 12 data layers
- Statewide present law adjustments increased total funds by \$1.0 million
- Compensatory based pay plan for bank examiners and additional bank examiners and administrative support for the Banking and Financials Division increased state special revenue by \$918,000
- A funding switch and program increase for the public safety communications program in which \$417,000 federal funds were replaced with general fund and \$183,000 general fund was added to increase the program and add 2.00 FTE

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2007 Biennium Legislative Budget							
Agency Program	General Fund	State Spec.	Fed Spec.	Proprietary	Capital Projects	Grand Total	Total %
03 Admin Financial Serv Division	\$ 2,558,242	\$ 6,996	\$ 128,362	\$ 89,931	\$ -	\$ 2,783,531	6.73%
04 Architecture & Engineering Pgm	-	2,603,831	-	-	-	2,603,831	6.30%
06 General Services Program	1,260,712	-	-	-	1,000,000	2,260,712	5.47%
07 Information Tech Serv Division	4,420,076	2,113,071	2,972,955	-	-	9,506,102	22.98%
14 Banking And Financial Division	-	5,812,101	-	-	-	5,812,101	14.05%
15 Montana State Lottery	-	-	-	15,065,082	-	15,065,082	36.42%
23 State Personnel Division	2,575,815	64,482	-	-	-	2,640,297	6.38%
37 State Tax Appeal Board	691,513	-	-	-	-	691,513	1.67%
Grand Total	<u>\$ 11,506,358</u>	<u>\$10,600,481</u>	<u>\$ 3,101,317</u>	<u>\$15,155,013</u>	<u>\$ 1,000,000</u>	<u>\$41,363,169.00</u>	<u>100.00%</u>

Other Legislation

Senate Bill 98 – SB 98 creates the Montana Land Information Act to develop a standardized, sustainable method to collect, maintain, and disseminate information in digital formats about the natural and artificial land characteristics of Montana. SB 98 increases the fee for recording land transactions with the county clerks and recorders. Revenues derived from the increased fees are deposited in a state special revenue account for fulfilling the new duties imparted on the department by SB 98 and for providing grants to state agencies, local governments, and Indian tribal governments. SB 98 has become law and its fiscal impacts are funded in HB 2. For more information, see the narrative for DP 719 in the Information Technology Services Division.

Senate Bill 146 – SB 146 establishes a statewide public defender system. When developing the system SB 146 moves the Appellate Defender, an agency administratively attached to the department, to a separate program of the new agency, the Office of State Public Defender. SB 146 designates the Office of State Public Defender as an agency attached to the department for administrative purposes, but provides flexibility and funding for the office to perform many of the functions that are currently provided for the Appellate Defender. SB 146 doesn't move the Appellate Defender until FY 2007 and also provides the flexibility to the office to determine which administrative services are most cost effective to provide within or use the services of the Department of Administration. Authority was approved in HB 2 to allow the department to charge fees to the Office of State Public Defender for administrative services. SB 146 has become law.

Senate Bill 274 – SB 274 revokes an exemption from licensing requirements for mortgage bankers acting as mortgage brokers. Funding was added to HB 2 to add FTE to address the workload impacts of SB 274. For further information, see DP 1405 in the Banking and Financials Division. SB 274 has become law.

House Bill 102 – HB 102 establishes a statutory appropriation for the annual general fund contribution to the highway patrol officers' retirement pension trust fund. The transfer was in the executive budget as a language appropriation. There is no net fiscal change from the executive budget, only a change in the source of appropriation authority from HB 2 to statute. HB 102 has become law.

House Bill 109 – HB 109 transfers responsibility for capitol complex grounds maintenance from the Department of Fish, Wildlife, and Parks to the department. In addition to transferring the responsibility for the function, as well as assets and staff in HB 109, the legislature authorized, in HB 2, the General Services Program of the Department of Administration to charge a fee to capitol complex tenant organizations for the service. HB 109 has become law.

House Bill 425 – HB 425 transfers the consumer protection functions from the department to the Department of Justice. In addition to transferring the responsibility for the function, as well as assets and staff in HB 425, the legislature authorized the movement of historical and budget data for the 2005 biennium and budget data for the 2007 to be moved within the state budgeting system to the Department of Justice as if the program existed in the Department of Justice since

the base year. As such, the budget tables for the Administrative Financial Services Division do not reflect the program. Additional \$5,500 total funds were provided in HB 2 to offset the fiscal impacts from the reorganization on the allocation of fixed indirect costs of the department. HB 425 has become law.

House Bill 745 – HB 745 appropriates \$2.1 million general fund as a supplemental appropriation for FY 2005 to make payments to the contractor developing the Process Oriented Integrated Tax System (POINTS) for the Department of Revenue for existing work to complete the phase of the project funded by SB 271 of the 2003 Legislature. HB 745 has become law.

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2004	Executive Budget Fiscal 2006	Legislative Budget Fiscal 2006	Leg – Exec. Difference Fiscal 2006	Executive Budget Fiscal 2007	Legislative Budget Fiscal 2007	Leg – Exec. Difference Fiscal 2007	Biennium Difference Fiscal 06-07
FTE	143.07	157.72	149.47	(8.25)	157.72	149.72	(8.00)	
Personal Services	6,703,827	7,922,312	7,970,453	48,141	7,921,616	8,428,940	507,324	555,465
Operating Expenses	7,995,905	13,946,573	12,480,305	(1,466,268)	9,084,716	8,944,739	(139,977)	(1,606,245)
Equipment	245,179	402,179	402,179	0	395,179	395,179	0	0
Local Assistance	28,637	28,637	28,637	0	28,637	28,637	0	0
Grants	0	1,160,000	810,000	(350,000)	1,160,000	810,000	(350,000)	(700,000)
Transfers	500,000	500,000	500,000	0	500,000	500,000	0	0
Debt Service	1,167,367	32,050	32,050	0	32,050	32,050	0	0
Total Costs	\$16,640,915	\$23,991,751	\$22,223,624	(\$1,768,127)	\$19,122,198	\$19,139,545	\$17,347	(\$1,750,780)
General Fund	3,362,558	8,014,829	7,445,287	(569,542)	3,893,164	4,061,071	167,907	(401,635)
State/Other Special	3,312,150	5,714,947	5,186,865	(528,082)	5,692,831	5,413,616	(279,215)	(807,297)
Federal Special	1,049,961	1,540,521	1,546,361	5,840	1,539,947	1,554,956	15,009	20,849
Capital Projects	511,542	500,000	500,000	0	500,000	500,000	0	0
Proprietary	8,404,704	8,221,454	7,545,111	(676,343)	7,496,256	7,609,902	113,646	(562,697)
Total Funds	\$16,640,915	\$23,991,751	\$22,223,624	(\$1,768,127)	\$19,122,198	\$19,139,545	\$17,347	(\$1,750,780)

The legislative budget is \$1.7 million in total funds lower than the executive budget for the 2007 biennium. The differences between the legislative and executive budgets are due primarily to the following factors. The legislature:

- Funded the pay plan (\$803,000)
- Approved funding at a lower level than the executive budget for a request to switch funding from proprietary to state special revenue for 2.00 FTE to coordinate geographic information systems in the state (\$702,000)
- Reduced a request for a portion of the funding for the Northern Tier Interoperability Project (\$600,000)
- Did not approve funding to replace components of the on-line gaming system for the Montana State Lottery (\$600,000)
- Approved an agency request for a compensatory-based pay plan for bank examiners that was not included in the executive budget (\$469,000)
- Moved the Consumer Protection Office and funding fiscal impacts on the department indirect costs (\$173,000)
- Did not approve funding to purchase signs that identify retail establishments that sell lottery products (\$120,000)
- Provided funding for the workload impacts of SB 274 (\$114,500)
- Did not approve the addition of 1.00 FTE contracts officer for the State Procurement Bureau (\$111,000)
- Did not fund replacement of Banking and Financial Division computers because the base provides adequate funding (\$11,000)

Reorganizations

Several bills were passed and approved in the 2005 Legislature that moved functions between various agencies and involved the department. The Consumer Protection Office, including funding and FTE, was moved to the Department of Justice and the capital grounds maintenance function was moved from the Department of Fish, Wildlife, and Parks to the department.

HB 425 moved the Consumer Protection Office, previously in the Administrative Financial Services Division, to the Department of Justice. Funding and expenditures for the 2005 biennium and funding for the 2007 biennium were moved to a new program in the Department of Justice so narrative tables appear as if the program has existed in the Department of Justice since FY 2004. This movement will be most evident when comparing the Legislative Budget Analysis 2007 Biennium with the Legislative Fiscal Report 2007 Biennium.

HB 109 moved Capital Complex Grounds Maintenance from the Parks Division of the Department of Fish, Wildlife, and Parks to the General Services Division of the department. The function is funded with internal service proprietary funds so the rates appear along with the building maintenance rates in the Facilities Management proprietary program.

Language

The legislature approved the following language for inclusion in HB2:

"There is appropriated from the general fund to the department the amount required to be refunded to the federal government for its participation in the workers' compensation old fund transfer to the general fund, not to exceed \$300,000 in fiscal year 2006. Funding is contingent upon the department validating a need for the refund following negotiations with the federal government."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	20.34	0.00	0.00	20.34	0.00	0.00	20.34	20.34
Personal Services	962,054	67,231	29,772	1,059,057	67,715	76,472	1,106,241	2,165,298
Operating Expenses	274,677	22,151	(636)	296,192	3,731	(633)	277,775	573,967
Local Assistance	22,133	0	0	22,133	0	0	22,133	44,266
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$1,258,864	\$89,382	\$29,136	\$1,377,382	\$71,446	\$75,839	\$1,406,149	\$2,783,531
General Fund	1,153,245	82,953	28,533	1,264,731	65,030	75,236	1,293,511	2,558,242
State/Other Special	2,989	0	509	3,498	0	509	3,498	6,996
Federal Special	58,675	5,387	94	64,156	5,437	94	64,206	128,362
Proprietary	43,955	1,042	0	44,997	979	0	44,934	89,931
Total Funds	\$1,258,864	\$89,382	\$29,136	\$1,377,382	\$71,446	\$75,839	\$1,406,149	\$2,783,531

Program Description

The Administrative Financial Services Division consists of several units. The Director's Office is responsible for overall supervision and coordination of agency programs and administratively attached boards and agencies. The Legal Unit provides legal services to agency and administratively attached programs. The Accounting Bureau is the process owner of the financial portion of the Statewide Budgeting, Accounting and Human Resource Systems (SABHRS), establishes state accounting policies and procedures, administers the federal Cash Management Improvement Act, processes warrants for all state agencies, and prepares the state Comprehensive Annual Financial Report (CAFR). The Management Support Bureau provides financial, budgeting, accounting, personnel, and payroll functions for the department. The Local Government Services Bureau provides technical assistance and training to local government accounting and financial personnel and defines, reviews and enforces auditing requirements for Montana's local governments.

Program Highlights

Department of Administration Administrative Financial Services Division Major Budget Highlights	
♦	Total fund budget increases \$273,000 for the biennium over the base due primarily to statewide present law and pay plan adjustments
♦	The Consumer Protection Office was moved from the department to the Department of Justice

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

		Program Funding Table					
		Admin Financial Serv Div					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 1,153,245	91.6%	\$ 1,264,731	91.8%	\$ 1,293,511	92.0%
	01100 General Fund	1,153,245	91.6%	1,264,731	91.8%	1,293,511	92.0%
02000	Total State Special Funds	2,989	0.2%	3,498	0.3%	3,498	0.2%
	02317 Financial Advisor Fees	2,989	0.2%	3,498	0.3%	3,498	0.2%
03000	Total Federal Special Funds	58,675	4.7%	64,156	4.7%	64,206	4.6%
	03320 Cmia Funds	35,613	2.8%	41,094	3.0%	41,144	2.9%
	03369 Flood Control Payments	22,133	1.8%	22,133	1.6%	22,133	1.6%
	03978 Federal Portion Of State Divid	929	0.1%	929	0.1%	929	0.1%
06000	Total Proprietary Funds	43,955	3.5%	44,997	3.3%	44,934	3.2%
	06527 Investment Division	43,955	3.5%	44,997	3.3%	44,934	3.2%
Grand Total		<u>\$ 1,258,864</u>	<u>100.0%</u>	<u>\$ 1,377,382</u>	<u>100.0%</u>	<u>\$ 1,406,149</u>	<u>100.0%</u>

The Administrative Financial Services Division is funded with general fund, state and federal special revenues, and proprietary funds. General fund provides funding for the statewide accounting standards, treasury, and accounting assistance for local governments, and for agency management in support of other programs of the agency funded with general fund. State special revenue provides funding for financial advisor fees. Federal special revenue provides funding for activities associated with the federal Cash Management Improvement Act funds, flood control payments, and the federal portion of State Fund dividends. The division is also funded with a direct appropriation from the Board of Investments proprietary fund for services the Treasury Unit provides to the board.

Most operations of the division are funded with non-budgeted proprietary funds, which are discussed in the "Proprietary Rates" section of the narrative.

Program Reorganization

The legislature moved the Consumer Protection Office from the department to the Department of Justice via passage and approval of HB 425. Historical expenditures and budget information for the 2005 biennium and budgets for the 2007 biennium are not reflected in the budget tables for the department, but are reflected in the Department of Justice.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				110,117					110,620
Vacancy Savings				(42,886)					(42,905)
Inflation/Deflation				(1,029)					(1,007)
Fixed Costs				23,180					4,738
Total Statewide Present Law Adjustments				\$89,382					\$71,446
Grand Total All Present Law Adjustments				\$89,382					\$71,446

New Proposals

New Proposals										
-----Fiscal 2006-----						-----Fiscal 2007-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 303 - Indirect Cost Impacts - HB 425										
03	0.00	(1,239)	509	942	(636)	0.00	(1,236)	509	94	(633)
DP 6010 - 2007 Biennium Pay Plan - HB 447										
03	0.00	29,772	0	0	29,772	0.00	76,472	0	0	76,472
Total	0.00	\$28,533	\$509	\$94	\$29,136*	0.00	\$75,236	\$509	\$94	\$75,839*

DP 303 - Indirect Cost Impacts - HB 425 - The legislature passed HB 425 to move the consumer protection function from the department to the Department of Justice. In doing so, the legislature approved moving the 2005 and 2007 biennia budget information for the Consumer Protection Office to the Department of Justice and funding increases of \$3,693 general fund, \$1,018 state special revenue, and \$104 federal special revenue to address impacts on indirect costs of the Department of Administration that resulted from the program move. This adjustment completes the funding adjustments for HB 425 that were made primarily through movement of financial information in tables of the state budgeting system.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Proprietary Rates

Legal Services Unit (Fund 06504)

Proprietary Program Description

The Legal Unit of the Director's Office advises all divisions within the department and those administratively attached to the department on legal matters. An alternative to this program would be contracting for legal assistance or hiring an attorney within the divisions serviced by the unit. The unit receives funding from the general fund and through the legal services internal service fund. Only the portion of the unit funded by the internal service fund is discussed below.

Proprietary Revenues and Expenses

The general fund portion supporting 0.17 FTE is shown on the main budget tables and discussed in the HB 2 portion of the division narrative. The program funds 2.08 FTE with proprietary funds. The Legal Services Unit receives revenues via an allocation of anticipated expenses of the unit to divisions of the department and administratively attached agencies and boards. The allocation is based on a time study of work performed. In FY 2004, revenues of about \$149,000 were received from the following funding sources in the percentages and approximate amounts shown:

- State special revenue (28percent), \$42,000
- Proprietary funds (57 percent), \$87,000
- Trust funds (15 percent), \$20,000

In FY 2004, revenues funded personal services for 2.08 FTE and operating costs. Personal services of approximately \$118,500 comprised 86 percent of expenses, with operating expenses making up the remaining \$19,500 or 14.0 percent of unit expenses.

Proprietary Rate Explanation

The financial objective of the Legal Services Unit is to operate on a break-even basis. The unit charges other non-general funded divisions in the department and administratively attached agencies a percentage of its operations budget based on a time-use study.

The legislature approved rates based on total allocation of costs of the Legal Services Unit. For the 2007 biennium, the legislature approved allocating costs up to \$182,525 in FY 2006 and up to \$182,525 in FY 2007 as the rates for the unit.

Warrant Writer Program (Fund 06564)

Proprietary Program Description

The department provides the services of the Warrant Writer Program to state agencies for check writing and automatic-deposit capabilities for financial transactions. The program produces and processes warrants, and tracks them on the warrant writer system. The program generates, mails, tracks, and cashes each warrant. The services the program offers include direct deposit, warrant consolidation, stopping of payments, warrant cancellations, emergency warrants, duplicate warrants, warrant certification, warrant research, payee file data, and federal 1099-MISC processing. Because the service is mandated in statute, no alternative exists for agencies that need checks processed and funds transferred to vendors electronically if they use the state accounting system.

Proprietary Revenues and Expenses

In FY 2004, the Warrant Writer Program had revenues of roughly \$845,913 from fees paid by agencies statewide. These revenues were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (31.5 percent), \$266,000
- State special revenue (16.8 percent), \$142,000
- Federal special revenue (23.0 percent), \$195,000
- Proprietary funds (19.4 percent), \$164,000
- All other funds (9.3 percent), \$79,000

In FY 2004, revenues funded personal services for 6.33 FTE and operating costs. Personal services of roughly \$182,000 accounted for about 20 percent of expenses, with operating costs making up the majority of costs at roughly \$710,000 or nearly 80 percent of unit expenses. Major operating costs are for postage and mailing (\$442,700 or 50 percent of program costs), and warrant printing, warrant stock, and bank service fees (combined are \$179,000 or 20 percent of costs).

Proprietary Rate Explanation

Figure 1 shows the rates the legislature approved for the Warrant Writer Program.

Management Services Unit (Funds 06534 and 06570)

Proprietary Program Description

The Management Services Unit coordinates preparation of the department's biennial budget for submission to the Office of Budget and Program Planning (OBPP) and presentation to the legislature, processes budget change documents on approved budgets through OBPP, monitors approved budgets for compliance with state law and legislative intent, processes payroll, and provides new employee orientation for all divisions within the department, including attached-to agencies, assists with staff recruitment and selection, classifies positions, and develops personnel policies and procedures. This unit also provides accounting assistance to the non-general funded divisions within the department. The director's office is funded through the unit. An alternative to this unit would be to hire budgeting, accounting, and human resource staff within each program in the department.

The unit now consists of the combined Management Services Unit and the Human Resources Unit, which were reviewed separately by 2003 Legislature.

Proprietary Revenues and Expenses

In FY 2004, the unit had revenues of roughly \$626,537 from fees paid by the divisions served. These revenues were received from the following funding sources in the percentages and approximate amounts listed:

Figure 1 Warrant Writer Rates		
	Approved FY 06	Approved FY 07
Mailer	\$0.583310	\$0.580890
Non-Mailer	\$0.181590	\$0.179170
Emergency	\$4.702280	\$4.701700
Duplicates	\$6.039980	\$6.039390
Externals	\$0.155750	\$0.153330
Direct Deposit	\$0.155780	\$0.155100

- General fund (9.6 percent), \$60,400
- State special revenue (11.9 percent), \$74,300
- Federal special revenue (0.7 percent), \$4,300
- Proprietary funds (75.4 percent), \$472,100
- Trust funds (2.4 percent), \$15,300

Expenses consist of personal services and operating expenses. In FY 2004 personal services of \$486,845 accounted for 84 percent of total expenses and funded 9.75 FTE. Major operating expenses that account for more than 1.0 percent of total expenses are rent for state-owned buildings at \$27,500 or 4.8 percent; indirect and administrative costs to other proprietary funded programs of the agency at \$15,000 or 2.6 percent; and data network service charges paid to the Information Technology Services Division of the agency at about \$9,600 or 1.7 percent.

Proprietary Rate Explanation

The legislature approved rates based on total allocation of costs of the Management Services Unit. For the 2007 biennium the legislature approved allocating costs up to \$537,492 in FY 2006 and up to \$537,492 in FY 2007 as the rates for the portion of the unit not for human resources. For the portion of the unit that provides human resource services, the legislature approved rates to be charged based on the FTE of the served programs. The legislature approved rates of \$476 per FTE in FY 2006 and \$475 per FTE in FY 2007.

The legislature also approved the following language to accompany the rates for the program:

"The department may charge the office of public defender up to \$55,000 in general fund money in fiscal year 2006 and \$25,000 in general fund money in fiscal year 2007 for human resources and payroll costs associated with the office."

Audit Review Program (Fund 06042)

Proprietary Program Description

The Audit Review program is responsible for administering the provisions of the Montana Single Audit Act (MSAA), which specifies the audit requirements for all Montana local governments entities (2-7-5, MCA).

Proprietary Revenues and Expenses

The program incurs operating expenses for personal services and operating costs. In FY 2004 personal services were nearly \$200,000 or 67.3 percent of total operating costs. Operating expenses of nearly \$97,000 made up the remaining 32.7 percent of total expenses. The fee revenues support a staff of 4.00 FTE.

Proprietary Rate Explanation

The Audit Review Program is funded with two fees: 1) audit report filing fee; and 2) annual auditor roster fee. The program also received reimbursement from audited entities for costs to contract for special audits as requested. It is the intent of the program to maintain fees sufficient to pay program costs at current level staffing. Because the Audit Review Program is funded with an enterprise type proprietary fund, the legislature does not approve the fees for the program. Instead, fees are established in administrative rule.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	17.00	0.00	0.00	17.00	0.00	0.00	17.00	17.00
Personal Services	860,497	69,406	27,356	957,259	68,141	70,728	999,366	1,956,625
Operating Expenses	301,654	22,588	0	324,242	21,310	0	322,964	647,206
Equipment	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$1,162,151	\$91,994	\$27,356	\$1,281,501	\$89,451	\$70,728	\$1,322,330	\$2,603,831
State/Other Special	1,150,609	103,536	27,356	1,281,501	100,993	70,728	1,322,330	2,603,831
Capital Projects	11,542	(11,542)	0	0	(11,542)	0	0	0
Total Funds	\$1,162,151	\$91,994	\$27,356	\$1,281,501	\$89,451	\$70,728	\$1,322,330	\$2,603,831

Program Description

The Architecture & Engineering Program manages remodeling and construction of state buildings. Its functions include planning new projects and remodeling projects; advertising, bidding, and awarding construction contracts; administering contracts with architects, engineers, and contractors; disbursing building construction payments; and providing design services for small projects. The program also formulates a long-range building plan for legislative consideration each session.

Program Highlights

Department of Administration Architecture and Engineering Major Budget Highlights	
◆	State special revenue budget increases \$280,000 for the biennium over the base due primarily to statewide present law and pay plan adjustments

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

Program Funding Table Architecture & Engineering Pgm							
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
02000	Total State Special Funds	\$ 1,150,609	99.0%	\$ 1,281,501	100.0%	\$ 1,322,330	100.0%
	02030 Arch & Engin Construction	1,150,609	99.0%	1,281,501	100.0%	1,322,330	100.0%
05000	Total Capital Projects Fund	11,542	1.0%	-	-	-	-
	05007 Long Range Building Program	11,542	1.0%	-	-	-	-
Grand Total		<u>\$ 1,162,151</u>	<u>100.0%</u>	<u>\$ 1,281,501</u>	<u>100.0%</u>	<u>\$ 1,322,330</u>	<u>100.0%</u>

The Architecture & Engineering Program is funded with funds transferred from the long-range building capital projects fund to a state special revenue account established for administrative expenses.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					108,152					106,835
Vacancy Savings					(38,746)					(38,694)
Inflation/Deflation					(14,125)					(14,075)
Fixed Costs					31,408					30,098
Total Statewide Present Law Adjustments					\$86,689					\$84,164
DP 301 - Indirect Administrative Costs										
	0.00	0	5,305	0	5,305	0.00	0	5,287	0	5,287
Total Other Present Law Adjustments										
	0.00	\$0	\$5,305	\$0	\$5,305	0.00	\$0	\$5,287	\$0	\$5,287
Grand Total All Present Law Adjustments					\$91,994					\$89,451

DP 301 - Indirect Administrative Costs - The legislature approved an increase of \$10,592 state special revenue for the biennium to fund increases in indirect cost payments for services received from proprietary funded centralized service functions of the agency.

New Proposals

New Proposals										
-----Fiscal 2006-----						-----Fiscal 2007-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan - HB 447										
04	0.00	0	27,356	0	27,356	0.00	0	70,728	0	70,728
Total	0.00	\$0	\$27,356	\$0	\$27,356*	0.00	\$0	\$70,728	\$0	\$70,728*

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	9.95	(0.10)	0.00	9.85	(0.10)	0.00	9.85	9.85
Personal Services	427,589	30,955	13,267	471,811	30,799	34,118	492,506	964,317
Operating Expenses	107,917	8,492	0	116,409	7,969	0	115,886	232,295
Transfers	500,000	0	0	500,000	0	0	500,000	1,000,000
Debt Service	32,050	0	0	32,050	0	0	32,050	64,100
Total Costs	\$1,067,556	\$39,447	\$13,267	\$1,120,270	\$38,768	\$34,118	\$1,140,442	\$2,260,712
General Fund	567,556	39,447	13,267	620,270	38,768	34,118	640,442	1,260,712
Capital Projects	500,000	0	0	500,000	0	0	500,000	1,000,000
Total Funds	\$1,067,556	\$39,447	\$13,267	\$1,120,270	\$38,768	\$34,118	\$1,140,442	\$2,260,712

Program Description

The General Services Division is composed of four bureaus responsible for providing certain internal services to government agencies and the public.

The Facilities Management Bureau manages the following services for state agencies in the capitol complex and several state-owned buildings in the Helena area either directly or through the administration of service contracts: repair, maintenance, construction, energy consumption, disaster response and recovery, space allocation, lease negotiation, security, janitorial, recycling, pest control, capitol grounds maintenance, and garbage collection.

The State Procurement Bureau procures or supervises the procurement of all supplies and services, and provides technical assistance to government agencies and the public to ensure compliance with the Montana Procurement Act.

The Print Services Bureau provides printing services to state agencies by operating a central facility for duplicating and binding, desktop publishing, layout and design, graphic illustration, and forms design. It operates three quick-copy centers, administers the state photocopy pool, and approves the procurement of all printing and printing-related purchases for state agencies.

Mail services for state agencies in the Helena area are provided through a centralized facility that manages incoming, outgoing, and interagency mail. In addition, the bureau operates a full service contract United States post office in the state capitol building. The Property and Supply Bureau manages the Central Stores program and the state and federal surplus property programs. The division also manages the state's vehicle fueling, energy procurement, and procurement card functions.

Program Highlights

Department of Administration General Services Program Major Budget Highlights	
♦	Total fund budget increases \$126,000 for the biennium over the base primarily due to statewide present law and pay plan adjustments
♦	The capitol grounds maintenance function was moved to the program from the Department of Fish, Wildlife, and Parks

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

		Program Funding Table					
		General Services Program					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 567,556	53.2%	\$ 620,270	55.4%	\$ 640,442	56.2%
	01100 General Fund	567,556	53.2%	620,270	55.4%	640,442	56.2%
05000	Total Capital Projects Fund	500,000	46.8%	500,000	44.6%	500,000	43.8%
	05008 Capitol Building Sr	500,000	46.8%	500,000	44.6%	500,000	43.8%
Grand Total		<u>\$ 1,067,556</u>	<u>100.0%</u>	<u>\$ 1,120,270</u>	<u>100.0%</u>	<u>\$ 1,140,442</u>	<u>100.0%</u>

The General Services Division is funded with general fund, capitol land grant trust fund, and proprietary funds. General fund provides funding for the procurement bureau and facilities maintenance functions for common areas of the Capitol Building, office space for the Senate and House of Representatives, Governor's mansion, public display areas in the Historical Society Museum, and some office space in the museum building. Capitol land grant trust fund would be used to supplement only the general fund support for common areas.

The following programs are funded with proprietary funds and are not shown on the main budget tables but are discussed in the proprietary rates section for the division:

- Mail services
- Print services
- Property and supply
- Central stores
- Facilities management
- Surplus property
- State fueling network
- State procurement card

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				54,993					54,871
Vacancy Savings				(19,303)					(19,298)
Inflation/Deflation				(66)					(64)
Fixed Costs				7,225					6,700
Total Statewide Present Law Adjustments				\$42,849					\$42,209
DP 301 - Indirect Administrative Costs	0.00	1,333	0	1,333	0.00	1,333	0	0	1,333
DP 608 - Fund Switch	(0.10)	(4,735)	0	(4,735)	(0.10)	(4,774)	0	0	(4,774)
Total Other Present Law Adjustments	(0.10)	(\$3,402)	\$0	(\$3,402)	(0.10)	(\$3,441)	\$0	\$0	(\$3,441)
Grand Total All Present Law Adjustments				\$39,447					\$38,768

DP 301 - Indirect Administrative Costs - The legislature approved an increase of \$2,666 general fund for the biennium to fund increases in indirect cost payments for services received from proprietary funded centralized service functions of the agency.

DP 608 - Fund Switch - The legislature approved a reduction of \$9,509 general fund for the biennium to move 0.10 FTE purchasing agent from funding in HB 2 to proprietary funding in the State Procurement Card Program.

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				FTE	Fiscal 2007			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan - HB 447										
06	0.00	13,267	0	0	13,267	0.00	34,118	0	0	34,118
Total	0.00	\$13,267	\$0	\$0	\$13,267*	0.00	\$34,118	\$0	\$0	\$34,118*

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Proprietary Rates

Proprietary Program Description

The General Services Division provides the following functions funded with proprietary fund. These programs are described below along with a discussion of the program revenues, expenses, and rates being requested to finance the programs:

- Facilities management
- Mail services
- Print services
- Surplus property
- Central Stores
- Statewide Fueling Network
- Procurement Card

Facilities Management Bureau (Fund 06528)

Proprietary Program Description

The Facilities Management Bureau maintains and manages state-owned buildings and grounds on the capitol complex. The bureau provides facilities management assistance, including repair, maintenance, and construction services to state agencies in the Helena area and provides statewide leasing assistance to agencies to negotiate co-location of agencies to procure leased space for field offices. Beginning in FY 2006, the bureau maintains the capital complex grounds and removes snow on complex property. The bureau also manages the office waste paper products recycling program in the Helena area. The program serves all agencies and units within state government.

Proprietary Revenues and Expenses

In FY 2004, the Facilities Management Bureau, except for capital complex grounds, had revenues of roughly \$5.9 million from rent payments paid by tenant agencies. Rent payments make up 94.8 percent of revenues for the bureau, revenue collected from construction cost recovery adds about 3.6 percent to revenues, and recycling revenue provides the

remaining 1.6 percent. These rent payments were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (45.5 percent), \$2,685,000
- State special revenue (15.8 percent), \$936,000
- Federal special revenue (17.7 percent), \$1,045,000
- Proprietary funds (20.4 percent), \$1,203,000
- All other funds (0.7 percent), \$37,000

In FY 2004, revenues for all but the capital complex grounds maintenance funded personal services for 22.10 FTE and operating costs. Personal services of roughly \$950,000 were 15 percent of expenses. The lion's share of costs was for operating expenses amounting to \$5.3 million or 85 percent of program expenses. Operating expenses are comprised of utilities, repair and maintenance, and contracted services. The program contracts for these functions: insurance, janitorial, mechanical, elevator, pest control, and security services. All contracted costs are expected to increase in the 2007 biennium due to anticipated increases in fire sprinkler inspection costs, new janitorial contracts, and prevailing wage increases applied to the mechanical contract. Increases for electricity and natural gas are factored into rates to recover losses from higher costs experienced during the current biennium that were not included in the rates for the 2005 biennium.

With passage and approval of HB 109, 6.06 FTE will be moved from the Department of Fish, Wildlife, and Parks to provide capital complex grounds maintenance as a component part of the program beginning in FY 2006. In FY 2004 revenues from capital complex grounds maintenance fees were \$323,000 derived from payments made out of the following funds and funded personal services and operating costs:

- General fund (45.4 percent), \$146,000
- State special revenue (16.9 percent), \$55,000
- Federal special revenue (18.9 percent), \$61,000
- Proprietary funds (17.5 percent), \$57,000
- All other funds (1.3 percent), \$4,000

Proprietary Rate Explanation

Rent is assessed on a cost per square foot basis to each agency occupying space in the buildings controlled by the Department of Administration. The rates are established to cover the cost of personal services and operating expenses including maintenance and equipment. Project work completed for agencies by in-house staff or contracted with an outside vendor is on a cost recovery basis.

Figure 2 shows the rates the legislature approved for the Facilities Management Bureau.

Figure 2 Facilities Management Bureau 2007 Biennium Rates		
	Approved FY 2006	Approved FY 2007
Office Rent (per sq. ft.)	\$6.613	\$6.681
Warehouse Rent (per sq. ft.)	3.901	3.969
Capitol Grounds Maintenance (per sq. ft.)	0.3896	0.3896
Project Mgmt (In-house)	15%	15%
Project Mgmt (Contracted)	5%	5%

Print and Mail Services Bureau (Fund 06530)

Proprietary Program Description

The Print and Mail Services Bureau provides printing, mail services, duplicating, desktop publishing, layout and design, graphic and illustrative art, forms design, reprographics, binding and quick copy, and photocopier pools services for state agencies. The bureau has seven basic components: 1) internal printing; 2) external (contracted) printing; 3) photocopy pool; 4) mail preparation; 5) central mail operations; 6) inter-agency (deadhead mail); and 7) postal contract station with locked mail boxes in the Capitol. Customers include all agencies and units within state government. Use of the photocopy pool is optional. A state agency may buy its own copier through the State Procurement Bureau. All printing or purchasing of printing is requested through print services, which determines the most cost effective method of project

completion. Not all requests for printing are completed internally. Nearly 65 percent of printing expenditures are procured through commercial vendors. The Postal Contract Station provides mail services to the public.

Proprietary Revenues and Expenses

The Print and Mail Services Bureau provides all services as presented in the program description. Seven basic service categories provide revenues for the operations of the program in the following percentages:

- Internal printing charges user agencies for graphic design and layout, desktop publishing, reprographics, duplicating, bindery, and quick copy – 13.7 percent of revenue
- External printing procures printing through commercial vendors – 34.5 percent of revenue
- Photocopy pool provides state agencies with photocopiers – 9.0 percent of revenue
- Mail preparation prepares documents for mailing and includes tabbing, labeling, inkjet addressing, inserting, and bar coding – 3.4 percent of revenues
- Central mail operations, which include mail pick-up and delivery in agency offices, metering of out-going U.S. Mail, United Parcel Services (UPS), and express mail services – 37.4 percent of revenue
- Inter-agency (deadhead) mail provides sorting and delivery of incoming mail and pickup and delivery of deadhead mail – 1.5 percent of revenue
- Postal contract station located at the Capitol provides postal services to the public – 0.5 percent of revenue

In FY 2004, revenues funded personal services for 42.70 FTE, operating costs, and equipment. Personal services of \$1.1 million were roughly 13.3 percent of expenses, with operating costs of \$7.2 million or 84.2 percent, and equipment of \$222,000 or 2.5 percent accounting for the remaining expenses of the bureau.

Major internal printing costs, excluding personal services, are for direct materials used in production, such as paper and ink, equipment repair and maintenance, and equipment replacement. Historical demand by agencies for printing services has remained fairly consistent with higher demand cycles when the legislature is in session. There are no changes or significant growth expected in the demand pattern. Unscheduled equipment repair or replacement provided the greatest amount of uncertainty to forecasting costs for internal printing.

For external printing the major expenses are pass-through costs of commercial print vendors. These costs have historically remained fairly consistent, but vary depending upon complexity and quantity of agency print projects.

Major expenses for the photocopy pool are pass-through photocopy costs, such as payments made to contracted vendors and personnel services.

Overhead costs for administration, accounting, and supplies are allocated to six of Print and Mail Services Bureau service categories based on FTE. The Capitol Post Office contract does not allow reimbursement for overhead costs.

Proprietary Rate Explanation

For the 2007 biennium, the legislature approved a rate for interagency mail that set the maximum amount of program costs that can be allocation to user agencies at \$162,180 for each of FY 2006 and FY 2007. The legislature approved a 45-day working capital rate for the remainder of the program.

Central Stores Program (Fund 06531)

Proprietary Program Description

The Central Stores Program develops standard specifications, procures, warehouses, and delivers commonly used items to all state agencies and participating local governments. Customers include all agencies and units within state government and participating local governments.

Section 18-4-302(3), MCA, mandates state agencies to use central stores unless the publicly advertised price of an alternate supplier, established catalog price, or discount price offered to the agency is less than the price offered by the

stores program, as long as the office supply conforms in all material respects to the terms, conditions and quality offered by the stores program. Local governments are not mandated to use central stores.

Proprietary Revenues and Expenses

In FY 2004, central stores had revenues of \$4.3 million from purchases by state agencies and local governments. Of these revenues \$2.9 million are recorded on the state accounting system as agency expenditures. The revenues from state sources were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (39.7 percent), \$1,162,000
- State special revenue (27.3 percent), \$799,000
- Federal special revenue (18.0 percent), \$529,000
- Proprietary funds (13.8 percent), \$404,000
- All other funds (1.2 percent), \$35,000

Program expenses are for personal services and operating expenses. In FY 2004, the program funded 10.25 FTE with personal services of about \$328,000 that comprised roughly 7 percent of total expenses and operating expenses of \$4,300,000 that accounted for the remaining 93 percent of total expenses. Of total expenses, \$4.2 million or 87 percent was used to purchase goods for resale.

The executive has been exploring the option to privatize the services of the Central Stores Program. Under a privatization concept, the office and janitorial supplies currently purchased through the program would be purchased through a vendor and delivered by the vendor to the purchaser's location. State personnel would consolidate the purchases and monitor the contract.

Proprietary Rate Explanation

For the 2007 biennium, the legislature approved two sets of rates shown in Figure 3 for the Central Stores Program:

- Rates for a privatized concept
- Rates for providing Central Stores with state resources

The legislature also approved the following language to accompany the rates for the program:

"The department may charge fees identified in Central Stores Program under the direct state service heading if the department operates a state-provided central stores program using state employees and funds to administer, store, and deliver products to state and local government consumers. If the governor directs the department, by executive order, to provide services of the central stores program using a private vendor, the department may charge fees identified in Central Stores Program under the vendor-provided service heading, and revenue derived from central stores program retail markup rates may be used only for personal services and operating expenses directly supporting coordination and contract administration costs for supplies purchased through a contracted vendor for central stores supplies and may not be used for office or warehouse rent or lease costs of facilities not owned by the state of Montana."

Figure 3 Central Stores Rates State-Provided Services		
	Approved FY 2006	Approved FY 2007
Forms	100%	100%
Office Supplies	25%	25%
Computer Paper	25%	25%
Fine Paper	25%	25%
Coarse Paper	25%	25%
Janitorial	25%	25%
Vendor-Provided Services		
Retail Markup	3%	3%

Statewide Fueling Network Program (Fund 06561)

Proprietary Program Description

The Statewide Fueling Network Program provides for fueling of public vehicles through an integrated commercial and public fueling network. The program automates the accounting and transaction processing functions associated with vehicle fueling, maintains agency tax-exempt status for transactions anywhere on the network, and provides monthly

comprehensive fuel management reports that fleet managers can use to track and control fuel costs. Customers include state government agencies and local government entities.

Proprietary Revenues and Expenses

In FY 2004, the Statewide Fueling Network Program had revenues of about \$21,000 from an administration fee charged on fuel purchased through the network based on statewide purchases of gasoline. These revenues were received from the following funding sources in the percentages and amounts listed:

- General fund (9.3 percent), \$2,000
- State special revenue (18.8 percent), \$4,000
- Federal special revenue (3.9 percent), \$800
- Proprietary funds (67.5 percent), \$14,000
- All other funds (0.5 percent), \$100

In FY 2004, revenues funded about 0.60 FTE, personal services, and operating costs. Personal services of nearly \$28,100 accounted for 74 percent of total expenses and operating costs of \$9,900 accounted for the remaining 26 percent. Personal services were moved from being funded with general fund to being funded with the statewide fueling network proprietary fund by the 2003 Legislature to eliminate the general fund subsidy for the program. When the subsidy was eliminated, the rates were not adjusted above their previous levels to fund the increased expenses.

Proprietary Rate Explanation

For the 2007 biennium, the legislature approved a 0.5 percent markup on gross fuel purchase of program users to fund the operation of the Statewide Fueling Network Program.

*State Procurement Card Program (Fund 06571)***Proprietary Program Description**

The State Procurement Card Program administers the state procurement contract for the automated processing of small purchases.

Proprietary Revenues and Expenses

In FY 2004, program expenses totaled \$26,023 and were comprised of personal services and operating expenses. Personal services of about \$9,400 comprises 36 percent of total program expenses and funds about 0.20 FTE. Major operating expenses are for maintenance costs, computer programming charges, and travel expenses.

Proprietary Rate Explanation

For the 2007 biennium, the legislature approved an administrative fee of \$1.00 per card per month as the rate for the State Procurement Card Program.

*Surplus Property Program (Fund 06066)***Proprietary Program Description**

The Property and Supply Bureau operates the surplus property program to administer the sale of state and federal surplus property no longer needed by agencies. The federal surplus program acquires surplus property from federal agencies. This property is distributed to state agencies or other eligible organizations. The surplus property programs provide a mechanism to transfer surplus property between agencies and extend the life of state property. The program provides accountability in the disposal of surplus state property, provides agencies with a service to pick surplus equipment, and provides an in-state screening service to locate federal surplus property for state agencies and local governments.

Proprietary Revenues and Expenses

The state surplus property programs receive revenues by charging a handling fee applied to the proceeds from the sale of state property. The federal surplus property program receives revenue in accordance with a federal plan of operations approved by the federal General Services Administration. In FY 2004 the program had operating revenues from federal surplus handling fees of about \$78,800 and from the state handling fees of \$223,100. This is compared with expenses of about \$331,300. The major expenses associated with the surplus property program are personal services and costs to pick up and warehouse property. In FY 2004 the program had 6.90 FTE, but because of vacancies in 2.50 FTE, only 4.40 FTE were funded through user fees.

Proprietary Rate Explanation

The state surplus property program retains a handling fee for property sold. If property is sold for less than \$200, the program retains the proceeds. The program retains \$200 plus unusual expenses for property sold for \$200-\$2,000, and 10 percent plus unusual expenses for property that is sold for more than \$2,000.

The federal surplus property program fees are an allocation of freight expense and 14 percent of acquisition cost. This is included in the Federal Plan of Operation, which has been approved by the Federal General Services Administration.

Because the program operates with funding from an enterprise type proprietary fund, the legislature does not approve rates.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	5.00	0.00	4.00	9.00	0.00	4.00	9.00	9.00
Personal Services	321,010	(4,674)	234,359	550,695	(4,601)	258,350	574,759	1,125,454
Operating Expenses	620,277	(14,246)	4,169,000	4,775,031	(16,340)	669,000	1,272,937	6,047,968
Equipment	206,340	0	150,000	356,340	0	150,000	356,340	712,680
Grants	0	0	810,000	810,000	0	810,000	810,000	1,620,000
Total Costs	\$1,147,627	(\$18,920)	\$5,363,359	\$6,492,066	(\$20,941)	\$1,887,350	\$3,014,036	\$9,506,102
General Fund	156,341	(5,723)	3,805,591	3,956,209	(6,690)	314,216	463,867	4,420,076
State/Other Special	0	0	1,053,652	1,053,652	0	1,059,419	1,059,419	2,113,071
Federal Special	991,286	(13,197)	504,116	1,482,205	(14,251)	513,715	1,490,750	2,972,955
Total Funds	\$1,147,627	(\$18,920)	\$5,363,359	\$6,492,066	(\$20,941)	\$1,887,350	\$3,014,036	\$9,506,102

Program Description

Information Technology Services Division (ITSD) is a proprietary program that manages central computing and telecommunications services for state government. ITSD provides central mainframe and mid-tier computer services, and manages the statewide data network SummitNet, used by all agencies throughout the state. ITSD provides local and long-distance telephone network services used by all agencies, including the university system, and manages the state's video network METNET. ITSD coordinates electronic government services for the state, and manages the states Internet presence at the Internet address discoveringmontana.com. ITSD also manages the Statewide Accounting, Budgeting, and Human Resources Systems (SABHRS) system for the state.

Through the office of the chief information officer, the division develops the Statewide Strategic IT Plan, coordinates information technology for the state, and reviews and approves equipment and software acquisitions. The division also provides statewide information technology training, and supports consulting services contracts used by agencies in support of IT systems.

The division also coordinates geographic information systems (GIS) development, manages the state's 911 programs, and coordinates public safety communications issues.

Program Highlights

Department of Administration Information Technology Services Division Major Budget Highlights	
<ul style="list-style-type: none"> ◆ Total fund budget increases \$7.2 million for the biennium over the base ◆ General fund increases are due primarily to: <ul style="list-style-type: none"> • Emergency telecommunications infrastructure (\$3.5 million) • Public safety communications program funding switch from federal special revenue and program increases (\$600,000) ◆ State special revenue increases are for implementation of the Montana Land Information Act (\$2.1 million) ◆ Federal special revenue increases are for development of the Montana Spatial Data Infrastructure (\$1.4 million) ◆ Personal services will increase by 4.00 FTE in HB 2 positions by the end of 	

the biennium for:

- 2.00 FTE public safety communications program computer analysts
- 2.00 FTE to move existing computer information system manager and programmer from the proprietary funded portion of the program to HB 2 funding in support of the Montana Land Information Act

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

		Program Funding Table Information Tech Serv Division					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 156,341	13.6%	\$ 3,956,209	60.9%	\$ 463,867	15.4%
	01100 General Fund	156,341	13.6%	3,956,209	60.9%	463,867	15.4%
02000	Total State Special Funds	-	-	1,053,652	16.2%	1,059,419	35.1%
	02779 Montana Land Information	-	-	1,053,652	16.2%	1,059,419	35.1%
03000	Total Federal Special Funds	991,286	86.4%	1,482,205	22.8%	1,490,750	49.5%
	03428 Gis Federal Funding	69,598	6.1%	772,728	11.9%	772,427	25.6%
	03796 Public Safety Communications	921,688	80.3%	709,477	10.9%	718,323	23.8%
Grand Total		<u>\$ 1,147,627</u>	<u>100.0%</u>	<u>\$ 6,492,066</u>	<u>100.0%</u>	<u>\$ 3,014,036</u>	<u>100.0%</u>

Funding for the division is provided primarily with a proprietary fund that is not shown on the main budget tables, but is discussed in the proprietary rates section that follows the discussion of budget program activity. The HB 2 budgeted portion of the division is funded with general fund and federal special revenue. The division receives general fund to operate the Statewide 911 Emergency Telephone System and for an emergency communications interoperability project in the northern tier counties. Federal special revenue funds Geographic Information System (GIS) coordination work within the division. State special revenue is from a portion of land transaction fees associated with the Montana Land Information Act.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					8,506					8,582
Vacancy Savings					(13,180)					(13,183)
Inflation/Deflation					(268)					(258)
Fixed Costs					(8,742)					(10,846)
Total Statewide Present Law Adjustments					(\$13,684)	(\$15,705)				
DP 301 - Indirect Administrative Costs										
	0.00	(828)	0	(4,408)	(5,236)	0.00	(828)	0	(4,408)	(5,236)
Total Other Present Law Adjustments										
	0.00	(\$828)	\$0	(\$4,408)	(\$5,236)	0.00	(\$828)	\$0	(\$4,408)	(\$5,236)
Grand Total All Present Law Adjustments					(\$18,920)	(\$20,941)				

DP 301 - Indirect Administrative Costs - The legislature approved reductions of \$1,656 general fund and \$8,816 federal special revenue for the biennium for allocation changes and increases made for indirect cost payments for services received from proprietary funded centralized service functions of the agency.

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				Fiscal 2007				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 718 - MSDI Federal Request										
07	0.00	0	0	707,000	707,000	0.00	0	0	707,000	707,000
DP 719 - Montana Land Information Act										
07	2.00	0	1,050,000	0	1,050,000	2.00	0	1,050,000	0	1,050,000
DP 721 - Public Safety Communications Program - GF										
07	2.00	300,000	0	(208,672)	91,328	2.00	300,000	0	(208,242)	91,758
DP 722 - Emergency Telecommunications Infrastructure - OTO										
07	0.00	3,500,000	0	0	3,500,000	0.00	0	0	0	0
DP 6010 - 2007 Biennium Pay Plan - HB 447										
07	0.00	5,591	3,652	5,788	15,031	0.00	14,216	9,419	14,957	38,592
Total	4.00	\$3,805,591	\$1,053,652	\$504,116	\$5,363,359*	4.00	\$314,216	\$1,059,419	\$513,715	\$1,887,350*

DP 718 - MSDI Federal Request - The legislature approved an increase of just over \$1.4 million federal special revenue for the biennium to fund continuing development of the Montana Spatial Data Infrastructure (MSDI).

DP 719 - Montana Land Information Act - The legislature approved an increase of \$2.1 million state special revenue for the biennium to fund personal services, operating costs, and grants associated with the Montana Land Information Act. The adjustment switches personal services funding for existing 2.00 FTE currently funded in the proprietary portion of the program to funding in HB 2 with state special revenue.

DP 721 - Public Safety Communications Program - GF - The legislature approved an increase of \$600,000 general fund and a reduction of \$416,914 federal special revenue for the biennium to shift funding for the public safety communications program. The adjustment results in a net increase of \$183,086 to add 2.00 FTE computer systems analysts.

DP 722 - Emergency Telecommunications Infrastructure - OTO - The legislature approved an increase of \$3.5 million general fund for the biennium to fund the Northern Tier Interoperability Project (NTIP). The legislature designated funding as one-time-only, biennial, and restricted to be used only for the NTIP.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Proprietary Rates

Proprietary Program Description

The Information Technology Services Division (ITSD) manages the following information technology (IT) services for state government:

- Shared statewide desktop and data network services
- Central mainframe computer processing
- Mid-tier access and production services
- Local and long-distance telephone networking
- IT planning, research, and coordination
- Design, development, and maintenance support of IT applications

- Personal computer (PC) and office automation support and consultation
- Design and development of telephone equipment, networking applications, and other telecommunication needs
- Internet and intranet services
- Electronic government planning and coordination
- Central imaging
- Geographic information systems (GIS) coordination
- Disaster recovery facilities for critical data processing applications
- IT training

ITSD also manages the State Accounting, Budgeting and Human Resource System (SABHRS) operational support unit, which is responsible for the operation and maintenance of the state budget development system (MBARS), and the PeopleSoft human resource, financial, and asset management systems.

ITSD services are enterprise and statewide in nature, and therefore agencies are required by state law to use these services. If exceptional conditions exist, agencies may be granted exceptions to meet specific agency needs. All services are offered and provided to all state and local agencies.

Funding for the ITSD is primarily from charges to state agencies for mainframe and mid-tier computer processing, desktop services, and state telephone support services as well as direct charges to state agencies and other entities. In order to coordinate state communication function, the division also receives a significant amount of "pass-through" funds paid on behalf of state agencies to communications vendors.

Proprietary Revenues and Expenses

In FY 2004, ITSD had revenues of about \$32.4 million from fees paid by agencies statewide. These revenues were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (34.9 percent), \$11.3 million
- State special revenue (26.6 percent), \$8.6 million
- Federal special revenue (26.3 percent), \$8.5 million
- All other funds (12.1 percent), \$4.0 million

In FY 2004, revenues funded personal services for 178.5 FTE and operating costs. Personal services of \$9.3 million were 31 percent of expenses, with operating costs making up an additional \$20.6 million or 69 percent of expenses. As such, personal services are a fixed cost driver for the division operations. Other major service areas of the division have additional cost components that have large impacts on their operating costs. These significant cost drivers are listed below for the major service areas of ITSD:

- Desktop services rate - communications and software costs
- SABHRS administration - contracted services and software expenses
- Mainframe processing - software, supplies, depreciation, and debt service interest
- Telephone equipment and long-distance - communication and maintenance

Desktop services utilization includes data connections to the state network. The division is projecting an approximate 12 percent average increase over the 2007 biennium. Responses from a data connection survey requested from each agency are used to determine the utilization rate used in the rate development. When these projections are not met by the agency, ITSD under-recovers its costs and would either recover more from other service categories or reduce expenditures by reducing services provided for all.

SABHRS utilization is currently not tracked and is based on projected expenses.

Telephone equipment utilization is projected from base year volume. Long-distance utilization is anticipated to decrease by approximately 2.5 percent from projected FY 2005 levels, due primarily to university system students, who no longer participate in this long-distance program and increasingly use cell phones and phone cards.

Variations in expense patterns result from software purchase expenses and equipment depreciation expenses. Software purchase expenses are high in the initial purchase year and then only include fixed maintenance costs for subsequent years. Equipment depreciation expenses vary when decreases of depreciation costs for existing equipment with expiring depreciation cycles differ from depreciation costs on new equipment.

Proprietary Rate Explanation

For the 2007 biennium, the legislature approved a 30-day working capital rated for the operation of ITSD, but with the following exceptions:

- The desktop services rate charge to customers may not exceed \$72.60 per connection per month or the amount that was budgeted in an agency budget, whichever is more
- SABHRS costs can be allocated to users only up to \$6,335,169 in each of FY 2006 and FY 2007

Proprietary Significant Present Law

By approving the rates for ITSD, the legislature approved the following significant expenditure adjustments for the 2007 biennium:

- An increase of \$1.2 million for the biennium to fund statewide adjustments impacting the proprietary funded portion of the program. The adjustment would impact all areas of the program and be a factor in all rate changes due primarily to increases for:
 - Personal service adjustment of about \$723,000
 - Statewide indirect costs of \$519,000
 - Rent increases of \$105,000
- An increase of \$82,353 for the biennium to fund increases for indirect cost payments for services received from other proprietary funded centralized service functions of the agency. The adjustment would impact all areas of the program and be a factor in all rate changes
- An increase of \$162,000 for the biennium to fund an upgrade to the state compressed video network, METNET. The upgrade would support security requirements for using Internet infrastructure to transmit video on the network by systems both inside and outside the state firewall for improved video conferencing that would also allow audio conferences to connect with video conferences. Funding would allow the replacement of obsolete communication equipment no longer supported by the manufacturer. This adjustment would impact the video services rate
- An increase of about \$2.4 million for the biennium to fund payments associated with SABHRS data storage costs on the state computer network. This adjustment accounts for 71 percent of the growth of revenues for SABHRS services. SABHRS was included in the midtier cost allocation for the first time. Since SABHRS occupies nearly 67 percent of the storage of the midtier computer system, inclusion of SABHRS in the cost allocation model shifted midtier costs from other system applications to SABHRS. It is this methodology change that causes the SABHRS costs to increase
- An increase of \$100,000 for the biennium to add funding for 2.00 FTE training staff to provide SABHRS training to agency users. This adjustment accounts for 3 percent of the growth of revenues for SABHRS services that are shown of the figure for fund 06522
- A reduction of \$258,169 for the biennium to move funding for 2.00 FTE from proprietary funding to state special revenue funding in HB 2 to support the Montana Land Information Act

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	31.75	3.25	0.75	35.75	3.25	1.00	36.00	36.00
Personal Services	1,558,544	516,935	93,392	2,168,871	609,633	196,231	2,364,408	4,533,279
Operating Expenses	570,483	59,024	17,595	647,102	51,433	9,804	631,720	1,278,822
Total Costs	\$2,129,027	\$575,959	\$110,987	\$2,815,973	\$661,066	\$206,035	\$2,996,128	\$5,812,101
State/Other Special	2,129,027	575,959	110,987	2,815,973	661,066	206,035	2,996,128	5,812,101
Total Funds	\$2,129,027	\$575,959	\$110,987	\$2,815,973	\$661,066	\$206,035	\$2,996,128	\$5,812,101

Program Description

The Banking and Financial Institutions Division licenses, supervises, regulates, and examines a variety of financial institutions operating in and outside Montana such as:

- State-chartered banks, trust companies, savings and loans, and credit unions
- Consumer loan and sales finance companies
- Title loan companies
- Escrow companies
- Foreign capital depositories in accordance with Title 32, MCA
- Deferred deposit loan companies
- Mortgage brokers and loan originators

The purpose of the supervisory function is to investigate the methods of operation in order to determine whether these institutions are operating in a safe and sound fiscal manner. Supervision of regulated financial business is accomplished through on-site safety and soundness examinations conducted by division examiners. The division also provides a consumer complaint process to resolve matters with the regulated financial institutions.

The State Banking Board is administratively attached to the division. The board is responsible for making final determinations of applications for new bank charters and foreign capital depository charters; hearing appeals of division decisions on branch bank, merger, or relocation applications; and acting in an advisory capacity with respect to the duties and powers given by statute or otherwise to the department as the duties and powers relate to banking and to the regulation of foreign capital depositories.

Program Highlights

Department of Administration Banking and Financial Division Major Budget Highlights	
♦	State special revenue budget increases \$1.6 million for the biennium over the base due primarily to: <ul style="list-style-type: none"> • Compensatory based pay plan for bank examiners (\$469,000) • 3.25 FTE bank examiners and administrative support (\$449,000) • Statewide present law adjustments (\$319,000) • Play plan adjustments (\$202,500)
♦	Personal services will increase by 4.25 FTE by the end of the biennium to address workload issues and implement the Montana Mortgage Broker and Loan Originator Licensing Act

Funding

The division is funded solely by state special revenue through assessments, application fees, and examination fees paid by the regulated financial institutions.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				228,582					228,002
Vacancy Savings				(71,483)					(71,458)
Inflation/Deflation				(5,987)					(5,862)
Fixed Costs				9,651					7,728
Total Statewide Present Law Adjustments				\$160,763					\$158,410
DP 301 - Indirect Administrative Costs									
0.00	0	(4,882)	0	(4,882)	0.00	0	(4,915)	0	(4,915)
DP 1401 - Request 3.25 FTE Bank Examiners									
3.25	0	227,563	0	227,563	3.25	0	221,298	0	221,298
DP 1403 - Fund ongoing CSBS accreditation program									
0.00	0	5,000	0	5,000	0.00	0	5,000	0	5,000
DP 1404 - Compensatory-Based Pay Plan									
0.00	0	187,515	0	187,515	0.00	0	281,273	0	281,273
Total Other Present Law Adjustments									
3.25	\$0	\$415,196	\$0	\$415,196	3.25	\$0	\$502,656	\$0	\$502,656
Grand Total All Present Law Adjustments				\$575,959					\$661,066

DP 301 - Indirect Administrative Costs - The legislature approved a reduction of \$9,797 state special revenue for the biennium to fund increases and allocation changes in indirect cost payments for services received from proprietary funded centralized service functions of the agency.

DP 1401 - Request 3.25 FTE Bank Examiners - The legislature approved an increase of \$448,861 state special revenue for the biennium to fund an additional 3.25 FTE and costs for associated office equipment and travel expenditures.

DP 1403 - Fund ongoing CSBS accreditation program - The legislature approved an increase of \$10,000 state special revenue for the biennium to maintain division accreditation through the Conference of State Bank Supervisors (CSBS). The adjustment includes funding to pay a \$5,000 annual dues assessment comprised of a \$3,000 annual fee to maintain accreditation plus 20 percent of the estimated cost of \$10,000 to fund a re-accreditation assessment in FY 2010.

DP 1404 - Compensatory-Based Pay Plan - The legislature approved an increase of \$468,788 state special revenue for the biennium to fund a compensatory-based pay plan to move financial institution examination personnel further along a professional financial institutions examiner career ladder.

New Proposals

New Proposals											
Program	FTE	Fiscal 2006				FTE	Fiscal 2007				Total Funds
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds	
DP 1405 - Mortgage Broker Act - SB 274											
14	0.75	0	54,706	0	54,706	1.00	0	59,784	0	59,784	
DP 6010 - 2007 Biennium Pay Plan - HB 447											
14	0.00	0	56,281	0	56,281	0.00	0	146,251	0	146,251	
Total	0.75	\$0	\$110,987	\$0	\$110,987*	1.00	\$0	\$206,035	\$0	\$206,035*	

DP 1405 - Mortgage Broker Act - SB 274 - The legislature approved an increase of \$114,490 state special revenue for the biennium to add 0.75 FTE in FY 2006 and 1.00 FTE in FY 2007 and operating costs to address the fiscal impacts of SB 274. The funding was contingent upon passage and approval of SB 274 that revises the Montana Mortgage Broker and Loan Originator Licensing Act to revise exemptions and licensing requirements for mortgage bankers.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	31.50	0.00	0.00	31.50	0.00	0.00	31.50	31.50
Personal Services	1,395,508	17,046	43,328	1,455,882	17,292	113,317	1,526,117	2,981,999
Operating Expenses	5,791,085	206,979	329	5,998,393	208,598	329	6,000,012	11,998,405
Equipment	38,839	7,000	0	45,839	0	0	38,839	84,678
Debt Service	1,135,317	(1,135,317)	0	0	(1,135,317)	0	0	0
Total Costs	\$8,360,749	(\$904,292)	\$43,657	\$7,500,114	(\$909,427)	\$113,646	\$7,564,968	\$15,065,082
Proprietary	8,360,749	(904,292)	43,657	7,500,114	(909,427)	113,646	7,564,968	15,065,082
Total Funds	\$8,360,749	(\$904,292)	\$43,657	\$7,500,114	(\$909,427)	\$113,646	\$7,564,968	\$15,065,082

Program Description

The Montana State Lottery designs and markets lottery games that allow players to purchase chances to win prizes. The lottery presently offers a variety of instant/scratch and lotto-style games, some in cooperation with other lotteries through the Multi-State Lottery Association. A five-member lottery commission, appointed by the Governor, sets policy and oversees program activities and procedures. The net revenue, after prizes, sales commissions and operating expenses, is deposited in the state general fund on a quarterly basis.

Program Highlights

Department of Administration Montana State Lottery Major Budget Highlights	
♦	Proprietary fund budget decreases \$1.7 million for the biennium below the base due primarily to removing debt service for the installment purchase of the on-line gaming system (\$2.3 million)
♦	Vendor fees under a percentage-of-sales contract for the operation and maintenance of the lottery operating systems increase expenses by \$400,000 over the biennium

Funding

The lottery is funded entirely with proprietary funds derived from lottery game revenues. Net revenues of the lottery are by state law transferred to the general fund. Therefore, the lottery is indirectly funded with general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				74,604					74,857
Vacancy Savings				(58,808)					(58,815)
Inflation/Deflation				(5,492)					(5,576)
Fixed Costs				60,839					(38,777)
Total Statewide Present Law Adjustments				\$71,143					(\$28,311)
DP 301 - Indirect Administrative Costs									
0.00	0	0	0	(1,008)*	0.00	0	0	0	(1,041)*
DP 1501 - Administrative Server - OTO									
0.00	0	0	0	7,000*	0.00	0	0	0	0
DP 1502 - Commission Per Diem									
0.00	0	0	0	1,250*	0.00	0	0	0	1,250*
DP 1506 - Rent									
0.00	0	0	0	2,640*	0.00	0	0	0	3,992*
DP 1507 - Vendor Fees									
0.00	0	0	0	150,000*	0.00	0	0	0	250,000*
DP 1550 - Reduce debt service									
0.00	0	0	0	(1,135,317)*	0.00	0	0	0	(1,135,317)*
Total Other Present Law Adjustments									
0.00	\$0	\$0	\$0	(\$975,435)*	0.00	\$0	\$0	\$0	(\$881,116)*
Grand Total All Present Law Adjustments				(\$904,292)*					(\$909,427)*

DP 301 - Indirect Administrative Costs - The legislature approved a reduction of \$2,049 lottery proprietary fund for the biennium to fund increases and allocation changes in indirect cost payments for services received from proprietary funded centralized service functions of the agency.

DP 1501 - Administrative Server - OTO - The legislature approved an increase of \$7,000 lottery proprietary fund for FY 2006 to replace the administrative server that controls the lottery local area network. The legislature designated funding as one-time-only.

DP 1502 - Commission Per Diem - The legislature approved \$2,500 lottery proprietary fund for the biennium to fund per diem for five meetings of the lottery commission per year.

DP 1506 - Rent - The legislature approved an increase of \$6,632 lottery proprietary fund for the biennium to fund increased rent costs for lottery office and warehouse space based on actual rental contract terms and projected costs expected after the lease contract expires and is renegotiated after March 2007.

DP 1507 - Vendor Fees - The legislature approved an increase of \$400,000 lottery proprietary fund for the biennium to fund payments to the vendor that operates and maintains the lottery operating systems. The legislature restricted funding only for payment of vendor fees.

DP 1550 - Reduce debt service - The legislature approved a reduction of \$2.3 million lottery proprietary fund for the biennium to eliminate base funding for debt service.

New Proposals

New Proposals										
-----Fiscal 2006-----						-----Fiscal 2007-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1508 - Indirect Cost Impacts - HB 425										
15	0.00	0	0	0	329*	0.00	0	0	0	329*
DP 6010 - 2007 Biennium Pay Plan - HB 447										
15	0.00	0	0	0	43,328*	0.00	0	0	0	113,317*
Total	0.00	\$0	\$0	\$0	\$43,657*	0.00	\$0	\$0	\$0	\$113,646*

DP 1508 - Indirect Cost Impacts - HB 425 - The legislature approved an increase of \$658 lottery proprietary funds for the biennium to address impacts on indirect costs of the department from moving the Consumer Protection function to the Department of Justice via HB 425. The legislature approved funding contingent upon passage and approval of HB 425.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

"Vendor Fees is restricted to payment of fees to the lottery online gaming system vendor under valid contract obligations."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	20.53	(1.00)	0.00	19.53	(1.00)	0.00	19.53	19.53
Personal Services	954,369	52,994	29,207	1,036,570	53,733	74,814	1,082,916	2,119,486
Operating Expenses	266,152	(5,927)	0	260,225	(5,566)	0	260,586	520,811
Total Costs	\$1,220,521	\$47,067	\$29,207	\$1,296,795	\$48,167	\$74,814	\$1,343,502	\$2,640,297
General Fund	1,190,996	44,351	29,207	1,264,554	45,451	74,814	1,311,261	2,575,815
State/Other Special	29,525	2,716	0	32,241	2,716	0	32,241	64,482
Total Funds	\$1,220,521	\$47,067	\$29,207	\$1,296,795	\$48,167	\$74,814	\$1,343,502	\$2,640,297

Program Description

The State Personnel Division provides state agencies with a variety of human resource management programs including training, position classification and pay, collective bargaining, employee relations, and assistance with compliance with state and federal employment law. The state general fund is reimbursed for administrative costs of the State Personnel Division through the statewide cost allocation plan. The division publishes state rules, standards, and policies relating to recruitment, selection, discipline, grievance, performance appraisal, leave, and other personnel matters. The division administers benefits plans including health, life, long-term care, dental, and vision insurance, flexible spending accounts, a sick leave fund, employee incentive awards, health promotion, and a voluntary employee benefit health care expense trust. In addition, the division administers a lease and contract to provide daycare services for Helena area state employees. The division also prepares, maintains, and distributes payroll for all state employees.

Program Highlights

Department of Administration State Personnel Division Major Budget Highlights	
◆	General fund budget increases \$201,000 for the biennium over the base due primarily to statewide present law and pay plan adjustments

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted by the legislature.

		Program Funding Table State Personnel Division					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 1,190,996	97.6%	\$ 1,264,554	97.5%	\$ 1,311,261	97.6%
	01100 General Fund	1,190,996	97.6%	1,264,554	97.5%	1,311,261	97.6%
02000	Total State Special Funds	29,525	2.4%	32,241	2.5%	32,241	2.4%
	02518 State Daycare Program	29,525	2.4%	32,241	2.5%	32,241	2.4%
Grand Total		<u>\$ 1,220,521</u>	<u>100.0%</u>	<u>\$ 1,296,795</u>	<u>100.0%</u>	<u>\$ 1,343,502</u>	<u>100.0%</u>

Funding for general personnel administration functions is from the general fund. The Employee Benefits Bureau is funded from the investment earnings of the state employees benefits fund. The Employee Benefits Bureau also receives a minor general fund appropriation for administration of the employee incentive program and sick leave administration. The Professional Development Center is funded with proprietary fees charged to state agencies for training services. The State Payroll Unit is funded with proprietary fees charged to state agencies for payroll processing services. The proprietary funded portions of the division are not shown on the main budget tables, but are discussed in the proprietary rates at the end of the section for the division.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				139,815					140,443
Vacancy Savings				(43,770)					(43,791)
Inflation/Deflation				(342)					(330)
Fixed Costs				(10,034)					(9,685)
Total Statewide Present Law Adjustments				\$85,669					\$86,637
DP 3 - State Daycare Lease Rate Increase									
0.00	0	2,715	0	2,715	0.00	0	2,715	0	2,715
DP 4 - Governor's Advisory Council on Disability									
0.00	2,936	0	0	2,936	0.00	2,936	0	0	2,936
DP 301 - Indirect Administrative Costs									
0.00	(1,202)	0	0	(1,202)	0.00	(1,202)	0	0	(1,202)
DP 2310 - Statewide FTE Reduction									
(1.00)	(43,051)	0	0	(43,051)	(1.00)	(42,919)	0	0	(42,919)
Total Other Present Law Adjustments									
(1.00)	(\$41,317)	\$2,715	\$0	(\$38,602)	(1.00)	(\$41,185)	\$2,715	\$0	(\$38,470)
Grand Total All Present Law Adjustments				\$47,067					\$48,167

DP 3 - State Daycare Lease Rate Increase - The legislature approved an increase of \$5,430 state special revenue for the biennium to fund a rent increase for the state sponsored daycare in Helena.

DP 4 - Governor's Advisory Council on Disability - The legislature approved an increase of \$5,872 general fund for the biennium to fund the Governor's Advisory Council on Disability for two-day meetings each quarter.

DP 301 - Indirect Administrative Costs - The legislature approved a reduction of \$2,404 general fund for the biennium to fund increases and allocation changes in indirect cost payments for services received from proprietary funded centralized service functions of the agency.

DP 2310 - Statewide FTE Reduction - The legislature approved a reduction of \$85,970 general fund for the biennium to reduce funding for 1.00 FTE human resources specialist.

New Proposals

New Proposals										
-----Fiscal 2006-----						-----Fiscal 2007-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan - HB 447										
23	0.00	29,207	0	0	29,207	0.00	74,814	0	0	74,814
Total	0.00	\$29,207	\$0	\$0	\$29,207*	0.00	\$74,814	\$0	\$0	\$74,814*

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Proprietary Rates**Proprietary Program Description**

The State Personnel Division manages four proprietary programs: 1) the Training program; 2) the Employee Benefits program, which includes the state's health and other benefit insurance plans; 3) the State Payroll/Benefits Operations program; and 4) the Flexible Spending Accounts program.

*Training Program (Fund 06525)***Proprietary Program Description**

The Professional Development Center (PDC) provides training and other services, such as facilitation, mediation, and curriculum design, to state agencies on a fee reimbursement basis. The use of PDC training is not mandatory for agencies that could choose from several available alternatives, such as seminars sponsored by national training firms, conferences and symposia, contracted training consultants, in-house training programs, and courses through post-secondary education institutions.

Proprietary Revenues and Expenses

In FY 2004, the Professional Development Center had revenues of \$285,340 from fees paid by agencies statewide. The funding for customer payments to the PDC could not be determined because the accounting code used to record payments to the PDC for training is also used to record a variety of other training costs.

In FY 2004, revenues funded personal services for 3.08 FTE and operating costs. Personal services of about \$155,000 were 53 percent of expenses, with operating costs making up the remaining \$138,000 or 47 percent of PDC expenses.

Proprietary Rate Explanation

The PDC establishes rates by separating fixed and overhead costs from the variable costs directly associated with producing a specific service, such as a workshop. The total projected fixed costs are divided by an estimate of total billable hours to allocate fixed costs to billable staff hours.

Estimated billable hours for the 3.00 FTE training professionals in the center are derived from an analysis of past fiscal years. General preparation time, planning, administrative tasks, personal leave, and unbilled travel time are subtracted from the total available hours. This analysis indicates that 30 percent of total staff time can be billed to specific products or services.

An analysis of expenditures shows that 20 percent of total costs can be associated with specific products or services. The remaining 80 percent are personal services and other fixed cost that must be allocated through staff time. One half of the

45-day working capital requirement has been added to the fixed costs for the rate calculations in order to reach the full working capital requirement by the end of the biennium.

The base rate for services is calculated as:

$$[(\text{Total Costs} \times 80 \text{ percent}) + 0.5(\text{Working Capital})] / (\text{Total Hours} \times 30 \text{ percent}) = \text{Staff Cost per hour}$$

The base rate is used to set the price of individual workshops by analyzing the staff time required to develop and provide the workshop, along with other variable costs (printing, materials, travel, etc.) associated with conducting the training. The base rate is also used to set a general schedule of prices where staff time and variable expenses can be consistently projected.

For the 2007 biennium, the legislature approved base rates of \$127.86 per hour for FY 2006 and \$127.97 per hour for FY 2007.

State Payroll/Benefits Operations Program (Fund 06563)

Proprietary Program Description

The Payroll/Benefits Operations Bureau operates the statewide payroll, benefits, and human resources (HR) system to process, distribute, report, and account for payroll, benefits, and associated withholding and deductions for more than 13,000 state employees in three branches of Montana state government. The bureau establishes and maintains standards, processes, and procedures to be followed by state agencies in preparing and submitting payroll, benefits, and related HR data into the system. The system operated by the bureau provides information and processing in support of division and statewide functions and programs including employee benefits, classification, pay, labor relations, policy, and training.

Proprietary Revenues and Expenses

In FY 2004, the Payroll/Benefits Operations Bureau had revenues of roughly \$435,310 from payroll processing fees paid by state agencies. These revenues were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (42.4 percent), \$184,500
- State special revenue (33.9 percent), \$147,600
- Federal special revenue (12.6 percent), \$54,800
- Proprietary funds (10.8 percent), \$46,800
- All other funds (0.3 percent), \$1,600

In FY 2004, revenues funded personal services for 7.10 FTE and operating costs. Personal services of \$266,501 were 64.7 percent of expenses, with operating costs making up the remaining \$145,343 or 35.3 percent of bureau expenses.

Proprietary Rate Explanation

For the 2007 biennium, the legislature approved per employee processed per pay period rates of \$1.34 for FY 2006 and \$1.33 for FY 2007.

Employee Benefits Program (Fund 06559)

Proprietary Program Description

The Employee Benefits Program is charged with providing state employees, retirees, and their families with adequate medical, dental, life, and other related group benefits in an efficient manner and at an affordable cost. The program operates a self-insured health and dental plan. Life and long-term care insurance are purchased from private sector vendors. The program contracts with private companies to provide claims processing services, health screening, managed care services, and an employee assistance program. The plan serves approximately 32,000 people.

Proprietary Revenues and Expenses

In FY 2004, the Employee Benefit Program had revenues of roughly \$85.7 million from premiums paid by state agencies and employee contributions. The state accounting system recorded about \$58.9 million from state sources. The state funded portion of the Employee Benefits Program revenues were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (38.8 percent), \$22.8 million
- State special revenue (33.4 percent), \$19.7 million
- Federal special revenue (17.5 percent), \$10.3 million
- Proprietary funds (9.2 percent), \$5.4 million
- All other funds (1.1 percent), \$0.7 million

In FY 2004, revenues funded personal services for 13.00 FTE and operating costs. Personal services of about \$681,000 were 0.9 percent of expenses, operating costs were \$3.2 million or 4.1 percent of expenses, and benefits payments made up the remaining \$73.4 million or 95.0 percent of program expenses.

The primary cost drivers in the fund are costs for medical and prescription drug claims. Medical claim costs are projected to increase by approximately 15 percent annually. Drug claims are projected to increase by 12 percent annually.

The cost of medical care is rising at a significant rate and these costs are projected to be \$90.6 million in FY 2006 and \$103.2 million in FY 2007.

Claims costs make up approximately 94 percent of program expenditures. Administrative costs comprise about 6.5 percent of total program expenditures, including contracting with vendors to process claims, managed care review, and administrative costs directly within the department. In comparison, insurance companies generally have administrative costs that range from 14 percent to 22 percent and pay 78 to 86 percent of their premiums out in claims.

Proprietary Rate Explanation

The legislature typically approves rate for the state share of employee group benefits separately from HB 2, when it approved the state employee pay plan bill. The rates currently in the pay plan bill (HB 447) for the the state contribution for employee insurance coverage - would add \$46 on January 1, 2006, and an additional \$51 on January 1, 2007, per month per employee.

*Flexible Spending Account (FSA) Program (Fund 06027)***Proprietary Program Description**

The state offers its employees the opportunity to participate in a medical care and a dependent care flexible spending account, which allows them to pay for qualified expenses with pre-tax dollars. The Employee Benefits Bureau contracts with an account administrator whose fees are based on the number of employees participating in the plan. Employees designate a portion of their paycheck to be directed to the flexible spending accounts and are charged a monthly service fee, which is also collected through the payroll process. As participants in the plan incur medical or dependent care costs that are not reimbursed to them through other sources, they file a claim with the administrator who in turn reimburses the participant with funds from the flexible spending accounts maintained by the state, up to the employee's annual election amount. Annual elections that are not claimed are forfeited by the employee, and are retained by the fund to help cover operating costs. The Flexible Spending Account program is accounted for as an enterprise fund.

Proprietary Revenues and Expenses

In FY 2004, the flexible spending account had revenues of roughly \$4.6 million from administrative fees and premiums paid by state employees participating in the plan. Of these revenues, all but about \$98,200 was paid for plan administration and not reimbursed to plan participants. The fund had an operating loss of \$41,527. The loss is attributable to a provision in which a participant in the medical flexible spending account could request reimbursement for a claim that exceeds his contributions to date and then terminate his employment with the state before contributing his

total elected amount. The fund is not able to seek reimbursement for the paid-out claim under IRS regulations. Typically, forfeitures of unclaimed annual elections offset the risk of contributions not being received.

Proprietary Rate Explanation

The rate charged to participants in the flexible spending account plan is established through the competitive bid procurement process and contract negotiations with the successful bidder for the claims administration contract. The participant pays these plan administration fees. Because the fund is an enterprise type proprietary fund, the legislature does not approve fees and charges for the fund. Currently the claim administrator charges \$2.15 per member per month. This rate is subject to inflation and other cost increases by the administrator on an annual basis.

Program Description

The Risk Management and Tort Defense Division insures state agencies against risk of loss for property, vehicles, boilers, airports, aircraft, fidelity bonds, and fine arts. The state self-insures against property losses under \$150,000 (\$250,000 for the prison), and claims for general liability, errors and omissions, inland marine, auto liability, and foster care liability. The state also carries full coverage auto insurance on certain state-owned vehicles and on various leased or loaned vehicles. The division also provides risk management and safety training, consultation services, claims administration, and legal defense to prevent or minimize the adverse effects of physical or financial loss.

Funding

The Risk Management and Tort Defense Division is funded entirely with proprietary funds financed with revenues from premium payments from state agencies.

Proprietary Rates**Proprietary Program Description**

The Risk Management and Tort Defense Division (RMTD) purchases catastrophic commercial property and casualty insurance to cover aviation and property losses that are above self-funded deductibles for state agencies, boards, councils, commissions, and the university system. Through in-house staff and contracted services, the division self-insures general liability, vehicle liability, professional liability, errors and omissions, inland marine, leased/loaned vehicles, and foster care exposures. The Department of Administration accumulates a self-insurance fund to pay for losses, purchase insurance, and fund operations.

The division provides risk management/safety training and consultative services to state agencies to prevent and/or minimize the adverse effects of physical or financial loss. The division also investigates, evaluates, and defends agencies, officers, and employees of the state in tort liability claims and coordinates the adjudication and settlement of claims involving damage to state property.

Proprietary Revenues and Expenses

In FY 2004, the Risk Management and Tort Defense Division had revenues of roughly \$14.7 million from premiums paid by state agencies. These revenues were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (26.9 percent), \$4.0 million
- State special revenue (35.9 percent), \$5.3 million
- Federal special revenue (6.3 percent), \$0.9 million
- Proprietary funds (30.4 percent), \$4.5 million
- All other funds (0.4 percent), \$63,000

In FY 2004, revenues funded personal services for 16.00 FTE, operating costs, and insurance claims. Personal services of \$0.6 million were 25.2 percent of expenses and operating costs of \$1.9 million were 74.8 percent of expenses.

Each fiscal year the division contracts with an actuarial consulting firm to project the state's estimated unpaid loss and loss adjustment expenses. The actuarial evaluation provides an estimate of the funding that would be necessary if all of the state's claims and lawsuits for prior fiscal years came due at the same time. Actuarial projections of unpaid losses as of June 30, 2004, are \$25.6 million. Actuarial projected future loss costs for FY 2006 and FY 2007 determined the ultimate projected loss for those fiscal years to be \$8.7 million and \$9.3 million respectively. Since claims and lawsuits are filed at different times and are typically paid out over as many as 10 years, it is not probable that all claims would come due at once.

Proprietary Rate Explanation

Figure 4 shows the rates approved by the legislature for the Risk Management and Tort Defense Division for the 2007 biennium.

Figure 4 Risk Management and Tort Defense Property and Casualty Insurance Premium Rates		
	Approved FY 06	Approved FY 07
General Liability	\$7,203,992	\$7,242,383
Auto Liability/Comp/Collision	1,668,644	1,671,416
Aviation	174,014	174,003
Property/Miscellaneous	<u>5,385,291</u>	<u>5,412,054</u>
Total	<u>\$14,431,941</u>	<u>\$14,499,856</u>

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	7.00	(0.50)	0.00	6.50	(0.50)	0.00	6.50	6.50
Personal Services	224,256	37,663	8,389	270,308	36,855	21,516	282,627	552,935
Operating Expenses	63,660	(949)	0	62,711	(801)	0	62,859	125,570
Local Assistance	6,504	0	0	6,504	0	0	6,504	13,008
Total Costs	\$294,420	\$36,714	\$8,389	\$339,523	\$36,054	\$21,516	\$351,990	\$691,513
General Fund	294,420	36,714	8,389	339,523	36,054	21,516	351,990	691,513
Total Funds	\$294,420	\$36,714	\$8,389	\$339,523	\$36,054	\$21,516	\$351,990	\$691,513

Program Description

The State Tax Appeal Board provides a tax appeal system for all actions of the Department of Revenue. It hears appeals from decisions of the 56 county tax appeal boards, primarily involving residential and commercial property valuation, and takes original jurisdiction in matters involving income taxes, corporate taxes, severance taxes, centrally-assessed property and new industry property, motor fuels taxes, vehicle taxes, and cabin site leases. The board travels throughout the state to hear appeals from decisions of the county tax appeal boards and to conduct informational meetings for the various county tax appeal boards. The State Tax Appeal Board directs the county tax appeal board secretaries, who are state employees, and pays their salaries and employee benefits from its personal services appropriation. The board also reviews and pays the expenses, including employee benefits, of those county tax appeal board secretaries who are county employees. In addition, the board pays the clerical-related expenses for all 56 county tax appeal boards, including supplies, postage, and copies, but excluding office equipment.

Program Highlights

Department of Administration State Tax Appeal Board Major Budget Highlights	
◆	General fund budget increases \$103,000 for the biennium over the base due primarily to statewide present law and pay plan adjustments

Funding

The board is funded entirely by the general fund. General fund increases by more than 12 percent on average each year over the base. The main factor for this increase is a 40 percent vacancy rate in FY 2004 and the corresponding increases resulting from fully funding all FTE, except for the vacancy savings and FTE reduction adopted by the legislature. As stated, the county tax appeal board secretaries are state employees. These secretaries work only when needed, and need is based on the workload resulting from tax appeals.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					65,167					64,287
Vacancy Savings					(11,577)					(11,541)
Fixed Costs					(1,076)					(928)
Total Statewide Present Law Adjustments					\$52,514					\$51,818
DP 301 - Indirect Administrative Costs										
0.00	127		0	0	127	0.00	127	0	0	127
DP 2310 - Statewide FTE Reduction										
(0.50)	(15,927)		0	0	(15,927)	(0.50)	(15,891)	0	0	(15,891)
Total Other Present Law Adjustments										
(0.50)	(15,800)		\$0	\$0	(\$15,800)	(0.50)	(15,764)	\$0	\$0	(\$15,764)
Grand Total All Present Law Adjustments					\$36,714					\$36,054

DP 301 - Indirect Administrative Costs - The legislature approved an increase of \$254 general fund for the biennium to fund increases in indirect cost payments for services received from proprietary funded centralized service functions of the agency.

DP 2310 - Statewide FTE Reduction - The legislature approved a reduction of \$31,564 general fund for the biennium to reduce funding by 0.50 FTE for an aggregate position that funds county tax appeal board secretaries.

New Proposals

New Proposals										
-----Fiscal 2006-----						-----Fiscal 2007-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan - HB 447										
37	0.00	8,389	0	0	8,389	0.00	21,516	0	0	21,516
Total	0.00	\$8,389	\$0	\$0	\$8,389*	0.00	\$21,516	\$0	\$0	\$21,516*

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.